

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION OF GREEN RIVER)	
ELECTRIC CORPORATION'S RATES)	CASE NO. 9973
FOR DISTRIBUTION ELECTRIC SERVICE)	

O R D E R

The Commission, on its own Motion, initiated Case No. 9885, An Investigation of Big Rivers Electric Corporation's Rates for Wholesale Electric Service, to review the current wholesale rates authorized for Big Rivers Electric Corporation ("Big Rivers") and also initiated this case on its own Motion to investigate the flow-through rates of Green River Electric Corporation ("Green River"). Green River had previously filed information in Case No. 9618¹ to support its flow-through rates to Big Rivers Rate Case No. 9613.² However, no rate increase was granted Big Rivers at that time. The background information filed by Green River in Case No. 9618 is still applicable to the present case.

A hearing upon notice was held on August 20, 1987, at the Commission's offices in Frankfort, Kentucky. The intervenors were

¹ Green River Electric Corporation's Notice of Increase in Rates for Retail Electric Service.

² Big Rivers Electric Corporation's Notice of Changes in Rates and Tariffs for Wholesale Electric Service and of a Financial Workout Plan.

the Utility and Rate Division of the Attorney General's Office, National-Southwire Aluminum Company ("NSA") and Southwire Company.

On August 18, 1987, NSA filed an objection to this proceeding on the ground that it had not been afforded adequate time to examine the issue of Green River's prudence in purchasing all its power requirements from Big Rivers Electric Corporation. NSA claims that the procedural schedule in this case violates its constitutional and statutory rights and that the Variable Aluminum Smelter Rate violates its existing contract rights with Green River.

The Commission is not persuaded by NSA's arguments. Green River has been contractually obligated to purchase all of its power requirements from Big Rivers since 1962.³ NSA has had a service contract with Green River since 1967.⁴ NSA's contract was most recently revised on June 14, 1982.⁵ Consequently, NSA has known or should have known of Green River's power supply arrangements for the past 20 years.

NSA's response to Green River's Information Request No. 1 indicates that NSA was aware that evidence of alternative power

³ Green River Hearing Exhibit 2.

⁴ Green River Hearing Exhibit 3.

⁵ Ibid.

supplies existed as early as 1984. Despite this fact, NSA failed to present any substantive evidence in this proceeding on either the availability of such alternative power supplies or Green River's ability to avail itself of such alternatives in light of its contractual requirements with Big Rivers.

The Commission initiated this rate investigation upon its own motion and has found herein that Green River's existing rates are insufficient to allow it to pay all its expenses and maintain its financial stability. Under these circumstances time is of the essence and no just reason exists to delay the implementation of new rates for Green River. NSA's right to challenge Green River's prudence of power purchase has not been infringed upon by the Commission's action. NSA may pursue its challenge pursuant to KRS 278.260 at whatever pace it deems appropriate.

Green River is one of four member distribution cooperatives of Big Rivers. In Case No. 9885, Big Rivers requested an increase in revenue, excluding aluminum smelter delivery points, of approximately \$15,219,001. Of this total increase, Green River would experience an increase in power costs of approximately \$5,575,981, which represents 36.64 percent of the proposed Big Rivers increase and would result in an overall increase to Green River's consumers of approximately 15.6 percent.

The Commission, after review of the evidence of record and being advised, is of the opinion and finds that:

1. The Commission, by reference, incorporates Case No. 9618 as a part of the record in this case.

2. The actual increase allowed Big Rivers, excluding aluminum smelter delivery points, in Case No. 9885, is \$13,321,181, which will result in an increase in power costs to Green River, excluding aluminum smelter delivery points, of \$4,788,260.

3. Green River's financial condition would be materially impaired if it were not allowed to recover the increased wholesale power costs allowed in Case No. 9885.

4. The revised rates and charges in Appendix A are designed to reflect only the increased power costs from Big Rivers allowed in the Final Order in Case No. 9885.

5. The flow-through of the wholesale power costs will not result in any additional net margin to Green River.

6. The Motion entered by National Southwire Aluminum Company to dismiss Case No. 9973 should be denied.

IT IS THEREFORE ORDERED that:

1. Green River be and it hereby is authorized to flow-through the increased power costs resulting from the rate increase granted its wholesale power supplier, Big Rivers, in Case No. 9885.

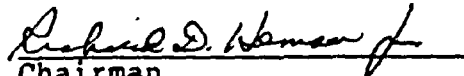
2. The rates in Appendix A shall be placed into effect on the effective date of the Big Rivers' wholesale power increase.

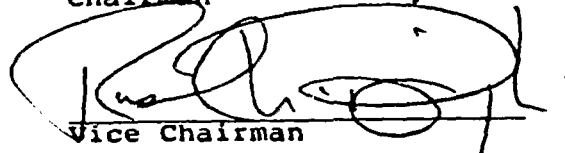
3. Green River shall, within 20 days from the date of this Order, file its revised tariff sheets setting out the rates and charges approved herein.

4. National Southwire Aluminum Company's Motion to dismiss is hereby denied.

Done at Frankfort, Kentucky, this 1st day of September, 1987.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 9973 DATED September 1, 1987.

The following rates and charges are prescribed for the customers in the area served by Green River Electric Corporation. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the date of this Order.

RESIDENTIAL SERVICE

Monthly Rate:

Facilities Charge	\$5.64
First 600 KWH per KWH	6.1287¢
Next 400 KWH per KWH	5.1251¢
All Over 1,000 KWH per KWH	4.4933¢

THREE-PHASE DEMAND

Monthly Rate:

Facilities Charge	\$16.90
Plus Demand Charge of: Per KW of Billing Demand	\$4.75
Plus Energy Charge of: Per KWH Consumed	4.4992¢

STREET AND INDIVIDUAL CONSUMER LIGHTING

Monthly Rate:

175 Watt Mercury Vapor Lamps per Lamp per Month	\$7.92
250 Watt Mercury Vapor Lamps per Lamp per Month	9.07
400 Watt Mercury Vapor Lamps per Lamp per Month	10.77

COMMONWEALTH ALUMINUM, INC., AND WILLAMETTE
INDUSTRIES, INC., (WESTERN KRAFT PAPER GROUP/
KENTUCKY MILLS DIVISION)

Demand Charge of: \$7.50
per KW of billing demand*

Plus Energy Charge of: 1.7534¢
per KWH consumed

ALUMAX ALUMINUM

Demand Charge of: \$7.75
per KW of billing demand*

Plus Energy Charge of: 1.8234¢
per KWH consumed

GREEN RIVER COAL COMPANY

Demand Charge of: \$7.75
per KW of billing demand*

Plus Energy Charge of: 1.9734¢
per KWH consumed

*Billing demand for purposes of this tariff shall be the contractual billing demand in the current billing month or the highest contractual billing demand in any of the previous eleven (11) billing months, whichever is greater.

NATIONAL-SOUTHWIRE ALUMINUM

The rates to National-Southwire Aluminum Company shall be the Variable Aluminum Smelter Power Rate contained in the tariff of Big Rivers, attached herein, plus \$0.00008 per kilowatt hour per month. Upon termination of the Variable Aluminum Smelter Power Rate, the rate applicable to National-Southwire Aluminum Company shall be the rate charged the Corporation by its wholesale power supplier, plus \$0.00008 per kilowatt hour per month.

VARIABLE ALUMINUM SMELTER RATE

Section I. Availability

This schedule is available to cooperatives for sales for resale to primary aluminum smelters within the service territory of Big Rivers and its member cooperatives. This schedule only covers purchases for primary aluminum reduction and associated administrative facilities. It does not cover purchases for later resale or use in fabrication.

Section II. Terms of the Rate

This rate shall take effect on September 1, 1987, and shall terminate at midnight, August 31, 1997. The rate schedule shall be subject to two reviews, commencing July 1, 1988, and July 1, 1990, as provided for in the August 10, 1987, Order in Case No. 9885 and such other reviews as may from time to time be established by the Public Service Commission. Upon termination of this rate schedule, the rates applicable to non-smelter customers shall apply to the aluminum smelters.

Section III. Rate

A. Initial Rate Charges Subject to Adjustments

The following rates shall apply to sales for resale to primary aluminum smelter customers that purchase power under the Variable Smelter Power Rate Schedule.

1. Base Variable Aluminum Smelter Rate

a. Demand Charge

\$7.50 per kilowatt of contract demand

b. Pivot Energy Charge

32.0 mills per kilowatt-hour of billing energy

2. Lower Rate Limit

18.1 mills per kilowatt-hour of billing energy

3. Upper Rate Limit

44.0 mills per kilowatt-hour of billing energy

B. Initial Rate Parameters Subject to Adjustments

The following rate parameter shall be used in determining the power bills for customers purchasing power under the Variable Aluminum Smelter Power Rate Schedule.

1. Pivot aluminum price

2. 62 cents per pound

Section IV. Formula

The Variable Aluminum Smelter Power Rate is a formula tied to the average monthly "MW U.S. Trans" price of aluminum as reported in Metals Week, for the month prior to the month charges are incurred ('monthly billing aluminum price'). Under this rate schedule, the monthly energy charge varies in response to changes in the monthly billing aluminum price.

A. Demand Charge

1. Each month the smelters purchasing under the Variable Aluminum Smelter Power Rate Schedule shall pay a demand charge, as stated in Section III.A.1.a. of this rate schedule, times the contracted capacity, pursuant to current contracts. For the amount of energy consumed in each month, the smelters shall pay the energy charge, as stated in Section IV.B. of this rate schedule, minus a Demand

Charge Credit for each kilowatt-hour, computed as the Demand Charge rate converted to mills per kilowatt-hour at a 99% load factor.

B. Energy Charge

1. Pivot Point Charge

When the monthly billing aluminum price (described in Section VI of this schedule) is equal to the Pivot Aluminum Price (as stated in Section III.B. of this rate schedule), the monthly energy charge shall be the Pivot Energy Charge as stated in Section III.A.1.b. of this rate schedule.

2. Reductions to Pivot Energy Charge

When the monthly billing aluminum price is less than the pivot aluminum price, the monthly energy charge shall be the greater of:

a. The Pivot Energy Charge minus $(P-MAP) \times LS$ where:

p = the Pivot Aluminum Price as stated in Section III.B. of this rate schedule.

MAP = the monthly billing aluminum price in cents per pound determined pursuant to Section VI of this schedule.

LS = the lower slope or 0.8 mills per kilowatt hour.

or

b. The Lower Rate Limit as stated in Section III.A.2. of this rate schedule.

3. Increases to Pivot Energy Charge

When the monthly billing aluminum price is greater than the Pivot Aluminum Price, the monthly energy charge shall be the lesser of:

- a. The Pivot Energy Charge plus $(MAP-P) \times US$ where:

P = the Upper Pivot Aluminum Price as stated in Section III.B. of this rate schedule.

MAP = the monthly billing aluminum price in cents per pound determined pursuant to Section VI.A.1. of this schedule.

US = the upper slope or 0.7 mills per kilowatt hour.

or

- b. The Upper Rate Limit, as stated in Section III.A.3. of this rate schedule.

Section V. Adjustments for Legislation or Regulatory Action

Upon payment by Big Rivers for new, sudden expenditures required by legislation or regulatory action (e.g. acid rain, taxes), the Pivot Energy Charge and the Upper Rate Limit shall be adjusted to reflect these increased legislation or regulatory costs. The new Pivot Energy Charge and Upper Rate Limit shall supersede in every way the Pivot Energy Charge and Upper Rate Limit set out in Sections III.A.1.b. and III.A.3. of this schedule.

Section VI. Rate Parameters and Adjustments

A. Monthly Average Aluminum Price Determination

1. Calculation of the monthly billing aluminum price

The monthly billing aluminum price shall be determined monthly. For purposes of this rate schedule, the monthly

billing aluminum price shall be the average U.S. Mid West Transactions Price reported for the previous month by Metals Week, in cents per pound.

2. Changes in aluminum price indicators

In the event that Big Rivers determines that factors outside its control have rendered Section IV.A.1. unusable as an approximation of the U.S. market price for aluminum, Big Rivers shall develop and submit to the appropriate regulatory bodies a substitute indicator for determining the monthly billing aluminum price.

Section VII. Fuel Adjustment Clause

The energy charge shall be increased or decreased by a fuel adjustment factor as follows:

$$\frac{F}{S} - \$0.01295$$

1. The fuel clause shall provide for periodic adjustment per KWH of sales equal to the difference between the fuel costs per KWH sales in the base period and in the current period according to the following formula:

$$\text{Adjustment Factor} = \frac{F(m)}{S(m)} - \frac{F(b)}{S(b)}$$

Where F is the expense of fossil fuel in the base (b) and current (m) periods; and S is sales in the base (b) and current (m) periods, all defined below.

2. FB/SB shall be so determined that on the effective date of the Commission's approval of the utility's application of the formula, the resultant adjustment will be equal to zero (0).

3. Fuel costs (F) shall be the most recent actual monthly cost of:

- a. Fossil fuel consumed in the utility's own plants, and the utility's share of fossil and nuclear fuel consumed in jointly owned or leased plants, plus the cost of fuel which would have been used in plants suffering forced generation and/or transmission outages, but less the cost of fuel related to substitute generation, plus
- b. The actual identifiable fossil and nuclear fuel costs associated with energy purchased for reasons other than identified in paragraph (c) below, but excluding the cost of fuel related to purchases to substitute the forced outages, plus
- c. The net energy cost of energy purchases, exclusive of capacity or demand charges (irrespective of the designation assigned to such transaction) when such energy is purchased on an economic dispatch basis. Included therein may be such costs as the charges for economy energy purchases and the charges as a result of scheduled outage, all such kinds of energy being purchased by the buyer to substitute for its own higher cost energy; and less
- d. The cost of fossil fuel recovered through inter-system sales including the fuel costs related to economy energy sales and other energy sold on an economic dispatch basis.

- e. All fuel costs shall be based on weighted average inventory costing.
4. Forced outages are all nonscheduled losses of generation of transmission which require (purchase of) substitute power for a continuous period of excess of six (6) hours. Where forced outages are not as a result of faulty equipment, faulty manufacture, faulty design, faulty installations, faulty operation or faulty maintenance, but are acts of God, riot, insurrection or acts of the public enemy, then the utility may, upon proper showing, with the approval of the Commission, include the fuel cost of substitute energy in the adjustment.
5. Sales (S) shall be all KWHs sold, excluding inter-system sales. Where, for any reason, billed system sales cannot be coordinated with fuel costs for the billing period, sales may be equated to the sum of (i) generation, (ii) purchases, (iii) interchange in, less (iv) energy associated with pumped storage operations, less (v) inter-system sales referred to in subsection 3(d) above, less (vi) total system losses. Utility-used energy shall not be excluded in the determination of sales (S).
6. The cost of fossil fuel shall include no items other than the invoice price of fuel less any cash or other discounts. The invoice price of fuel includes the cost of the fuel itself and necessary charges for transportation of the fuel from the point of acquisition to the unloading

point, as listed in Account 151 of FERC Uniform System of Accounts for Public Utilities and Licenses.

To facilitate the prompt mailing of bills, the fuel adjustment amount for any billing month shall be the product of the "adjustment factor" for the preceding month as defined above and the kilowatt hours consumed by the member in the preceding month.